

Global Markets Research

Daily Market Highlights

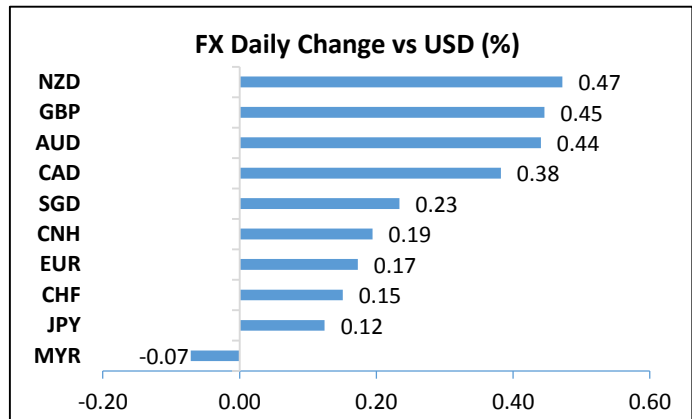
Key Takeaways

- **US stock indexes ended slightly lower overnight amid a slew of mixed corporate earnings.** Microsoft, AMD and Texas Instrument reported upbeat results for the fourth quarter while Starbucks said its revenue dropped because of fall in same-store sales due to the pandemic. **Investors also awaited a deluge of 4Q earnings from major companies like Facebook, Tesla and Apples today.** The Dow Jones and NASDAQ were down marginally by less than 0.1% while the broader S&P 500 index fell nearly 0.2%. Stocks had earlier risen in Europe but retreated in Asia. **Treasury yields saw little changes across the curve ahead of the FOMC meeting.** 10Y UST yield last traded at 1.035% (+0.5bps).
- The dollar index pulled back 0.2% to 90.17 as **the greenback broadly weakened. Commodity-linked currencies led the gain alongside a stronger GBP. Gold futures were flat** at \$1850/oz; Brent crude barely changed at \$55.91/barrel while WTI fell 0.3% to \$52.61/barrel. Nearly all Senate Republicans voted against holding impeachment trials for former President Donald Trump. The US said it would purchase enough vaccine doses to inoculate its population by the end of the summer.
- **There was also some glimpse of optimism from the latest IMF growth forecast. 2021 global growth forecast has been upgraded by 0.3ppt to 5.5%** due to upgrades in both the advanced and emerging economies, in anticipation of positive effects from vaccine progress and continuous policy support. Meanwhile, the recession in 2020 is estimated to be shallower than initially estimated (-3.5% vs previous -4.4%) as the recovery came in stronger than expected in the second half of last year. IMF however cautioned that the recovery remains uncertain and uneven across various countries. Growth is expected to normalize to 4.2% in 2022.
- **In line with the more upbeat growth forecast by IMF, overall economic releases were decent.** US Conference Board Consumer Confidence Index improved in January, driven by consumers' upbeat assessment of economic outlook. UK job data turned out not as poor as initially expected, reflecting the support offered by the furlough program. Singapore's industrial production recorded strong performance. Hong Kong's exports beat estimates amid strong Chinese demand.
- DXY was down by more than 0.2% on Tuesday, broadly weakening against G10 peers and other Asian currencies. This was helped by IMF upgrades of world economic forecasts, bringing some optimism. We are **neutral-to-bearish on the USD** for the week ahead. For the week ahead, focus is on FOMC decision on 28 January, after ECB and BOJ meetings.
- USD/MYR remained flat on Tuesday, closing at 4.0475. The trends are likely to extend to today's session ahead of tomorrow's public holiday and the FOMC meeting. The Federal Reserve is unlikely to offer any major surprises. We expect **MYR to stay neutral** today.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,937.04	-0.07	1.08
S&P 500	3,849.62	-0.15	2.49
FTSE 100	6,654.01	0.23	2.99
Hang Seng	29,391.26	-2.55	7.93
KLCI	1,575.31	-0.08	-3.19
STI	2,945.52	-0.95	3.58
Dollar Index	90.17	-0.24	0.26
WTI oil (\$/bbl)	52.61	-0.30	8.43
Brent oil (\$/bbl)	55.91	0.05	7.93
Gold (\$/oz)	1,850.90	-0.23	-2.39
CPO (RM/tonne)	3,590.00	0.50	-5.23

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data			
US	→	UK	↓
Singapore	↑	Hong Kong	↑

Up Next

27/01	AU Westpac Leading Index MoM (Dec)	0.46%
	AU CPI YoY (4Q)	0.7%
	AU NAB Business Confidence (Dec)	12
	CH Industrial Profits YoY (Dec)	15.5%
	US Durable Goods Orders (Dec P)	1.0%
28/01	US FOMC Rate Decision (Upper Bound)	0.25%
	NZ Trade Balance 12 Mth YTD NZD (Dec)	3259m
	JN Retail Sales YoY (Dec)	0.6%
	EC Economic Confidence (Jan)	90.4
	US Advance Goods Trade Balance (Dec)	-\$84.8b
	US GDP Annualized QoQ (4Q A)	33.4%
	US Initial Jobless Claims (23 Jan)	--
	US Leading Index (Dec)	0.6%
	US New Home Sales MoM (Dec)	-11.0%

Source: Bloomberg

US Cap

Macroeconomics

- **US consumers more upbeat on growth outlook; house prices gained at slower pace:**
 - The Conference Board Consumer Confidence Index improved to 89.3 in January (Dec: 87.1), boosted by the gain in the expectation index (+5.5pts). The present situation gauge was down by nearly 3.0pts. Consumers' weaker assessment of current economic conditions was driven by the pandemic although they expect conditions to improve in the not-too-distant future.
 - Gains in house prices eased recently as the S&P500 CoreLogic Case Shiller House Price Index for 20 US Cities rose 1.4% m/m in November (Oct: +1.6%) while the FHFA House Price Index picked up 1.0% m/m (Dec: +1.5%)
 - The Richmond Fed Manufacturing Index retreated to 14 in January (Dec: 19), adding to signs of more moderate growth in manufacturing.
- **UK job data not as bad as expected:**
 - The UK economy shed 88k jobs in the three months to November (prior: -144k); this is better than analysts' estimation of a 104k loss.
 - Unemployment rate rose to 5.0% in the same period, from 4.9%; also better than the expected 5.1% rate.
 - The extension of the government's furlough program at end-Oct may have helped mitigated the impact of the pandemic on the broader job market.
 - Jobless claims rose 7.0k in December, marking its second month of increases. This followed a sharp 38.1k rise in November. The economy briefly reopened in December.
- **Hong Kong international trade improved markedly at late 2020**
 - Hong Kong's December trade data beat expectations as exports jumped 11.7% y/y (Nov: +5.6%) while imports rose 14.1% y/y (Nov: +5.1%).
 - This reflects a sharp increase in shipments to Mainland China (+17.5% y/y), its biggest trading partner and to some extent higher exports to the US.
 - The increase in imports added to good signs of domestic demand, ahead of the Lunar New Year celebration. The robust trade data are consistent with recent data that indicate stabilisation in the economy.
- **Strong Singapore industrial production performance**
 - Industrial production surged by 14.3% y/y in December, higher than consensus expectations of 12% and our forecast of 7.5%. This came despite high base effects, and November's numbers were revised higher to 18.7% from 17.9% prior. This brings full year expansion for IP to 7.3%, in a pandemic-driven world economy.
 - Some sectors are seeing recovery. Chemicals have grown at double digits for the past 2 months. The performance (12.3% y/y expansion) was inflated by low base effects, but production of fragrances was encouraging. General manufacturing also saw its first expansion in 10 months.
 - The manufacturing sector will likely stay a key pillar of Singapore's economy, even as services sectors continue to modernise. Singapore recently announced a 10-year plan to ramp up manufacturing by 50%, focusing on quality products. This will support GDP growth by increasing the value-add of manufacturing.

Forex

MYR (Neutral)

- USD/MYR remained flat on Tuesday, closing at 4.0475. The trends are likely to extend to today's session ahead of tomorrow's public holiday and the FOMC meeting. The Federal Reserve is unlikely to offer any major surprises.
- **Factors supporting:** Economic recovery, less dovish MPC, USD weakness
- **Factors against:** Risk aversion, domestic politics, second lockdown.

USD (Neutral-to-Bearish over 1-Week Horizon)

- DXY was down by more than 0.2% on Tuesday, broadly weakening against G10 peers and other Asian currencies. This was helped by IMF upgrades of world economic forecasts, bringing some optimism. We are neutral-to-bearish on the USD for the week ahead. For the week ahead, focus is on FOMC decision on 28 January, after ECB and BOJ meetings.
- **Factors supporting:** Risk aversion, Covid-19 resurgence
- **Factors against:** Fed accommodation, vaccine, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD benefitted from some market optimism, reaching an intraday high of 1.2176 before a slight retreat to around 1.2160. This mirrored dollar moves. We stay neutral on the EUR, as market attention may turn to fundamentals after recent recovery in risk sentiments. We see a range of 1.2068 (support) and 1.2250 (resistance).
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD benefitted from positive risk sentiments, reaching a high of 1.3744 from a low of 1.3610. This came despite near-term challenges, with the UK becoming the first European country with 100,000 dead from the Covid-19 pandemic. We retain our neutral-to-bullish stance on the GBP, although risks are on the downside. Resistance is at 1.3760 followed by 1.3800, while a pullback turns attention to 1.3580.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY came off slightly on Tuesday, closing near the low of 103.56. Movements still stayed relatively restrained compared to other currency pairs. We stay neutral on the JPY for the coming week. We watch for a range of 103.00-104.40, with a breakaway signalling at some momentum either way.
- **Factors supporting:** BOJ policy, risk aversion, dollar weakness
- **Factors against:** Weak fundamentals

AUD (Neutral-to-Bullish)

- After initially retreating to a low of 0.7669, AUD/USD surged and closed around the 0.7750 level. This stemmed partly from market optimism. We are neutral-to-bullish on the AUD for the week ahead. Data focus is on CPI, where markets expect some stability. We see support still around 0.7670 and resistance close to the 0.78 big figure.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy, Australia-China relations

SGD (Neutral-to-Bullish)

- USD/SGD pulled back by more than 0.2%, to stay close to the intraday low of 1.3241. This coincided with a strong industrial production performance in December, providing a positive mood for the manufacturing sector in 2021. We are slightly bullish on SGD, expecting modest gains against the dollar in the week ahead. Key swing factor remains in Covid-19 situation in Singapore, which appear to look contained at the moment. Support is at 1.3220 (before attention turns to the 1.32 big figure), while resistance is at 1.3336.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, potential deterioration in Singapore fundamentals

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